

# LEGISLATIVE AUDIT COMMISSION



Review of  
Department of Children and Family Services  
One Year Ended June 30, 2003

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**REVIEW: 4206**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**  
**ONE YEAR ENDED JUNE 30, 2003**

**FINDINGS/RECOMMENDATIONS - 11**

**IMPLEMENTED - 3**  
**ACCEPTED - 8**

**REPEATED RECOMMENDATIONS - 8**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 12**

This review summarizes a financial and compliance audit of the Department of Children and Family Services (DCFS) for the one year ended June 30, 2003, filed with the Legislative Audit Commission April 20, 2004. The auditors performed a financial and compliance audit in accordance with State law and Government Auditing Standards. The auditors stated the financial statements were fairly presented.

The Department of Children and Family Services is mandated to provide protective and preventive services to children and their families. The Department responds to this charge by protecting children who are at risk of harm, administering comprehensive community-based systems of youth services, remedying family problems that place children at risk of being removed from their homes, providing children with a safe nurturing environment when out-of-home placement is needed, and when appropriate, placing children in suitable adoptive homes. There are five Department service delivery programs designed to achieve client goals: Protective Services, Family Maintenance, Family Reunification and Substitute Care, Adoption and Guardianship and Support Services.

Jess McDonald was the Director of the Department during most of the audit period. Mr. Bryan Samuels was appointed Director in April 2003, and he still serves in that position. Mr. Samuels was not previously employed by DCFS, but did serve as the chair of the Governor's DCFS task force for two months before being appointed Department Director.

The Department is organized into six regions: Central, Southern, Northern, Cook Central, Cook North, and Cook South. The Department has 83 field offices.

The number of employees was:

2003 - 3,619;      2002 - 4,030;      2001 - 4,137;      2000 - 4,189.

See Appendix A for the number of employees by DCFS division.

Unaudited data regarding the number of abuse and neglect reports and investigations, and the number of children serviced by DCFS are found in Appendix B. The 24-Hour

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Hotline received an estimated 306,000 calls in FY03. In FY03, the Department expects 4,474 children to be permanently placed through adoption and subsidized guardianships. There were about 15,037 children in foster care or relative care in FY03, a dramatic decrease from more than 42,000 six years ago.

### **Expenditures From Appropriations**

The General Assembly appropriated \$1,376,516,800 to DCFS in FY03. The total appropriation came from seven different funds, and approximately \$838 million, or 61%, was from the General Revenue Fund. Total expenditures decreased from \$1,363,118,939 in FY02, to \$1,300,572,465, a decrease of \$62.5 million, or 4.6%. Appendix C summarizes the total appropriations and expenditures by fund for FY03, FY02 and FY01. While some of the decrease is attributable to fewer staff, most of the decrease in expenditures for FY03 is found in decreased awards and grants. Appendix D is a schedule of expenditures by division for FY03. This information was presented in the 2005 Budget Book. Lapse period spending totaled \$97.7 million, or 7.5%, in FY03.

### **Cash Receipts**

Appendix E summarizes cash receipts for the period under review. Cash receipts decreased from \$442.5 million in FY02, to almost \$388.2 in FY03. The following are some reasons for the decrease in cash receipts:

- \$50 million decrease in the DCFS Children's Services Fund. DCFS did not draw down all the available federal funds due to cash management and waiver extension had not been made permanent until after June 30, 2003.
- \$2.2 million decrease in the DCFS Training Fund. Since the Department did not hire as many employees, there was less staff to train.
- \$2.7 million decrease in the DCFS Federal Projects Fund. The CHAFFEE program (independent living) decreased its expenditures from \$12.5 million in FY02 to \$7.6 million in FY03.

### **Property and Equipment**

Appendix F summarizes the property and equipment for which the Department was accountable. The beginning balance as of July 1, 2001 was \$38,062,976, compared to an ending balance of \$35,967,117 as of June 30, 2003. The schedule in the audit report was prepared from Department records. The property balance at June 30, 2003 includes all property, even those items that do not meet the GASB No. 34 capitalization threshold.

### **Accounts Receivable**

Appendix G summarizes the Department's accounts receivable. The Department has two categories of accounts receivable. Parental accounts receivable are a result of fees

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assessed to parents of children who are receiving benefits from the Department through foster care or other services. Board accounts receivable are a result of overpayments by the Department to providers of care for children. Combined accounts receivable, net, with an allowance for uncollectibles of \$5,939,934, totaled \$1,823,624 in FY03.

### **Accountants' Findings and Recommendations**

Condensed below are the 11 findings and recommendations included in the audit report. Of these, eight are repeated from prior audits. The following recommendations are classified on the basis of information from the audit report and information provided by Barbara Piwowarski, Deputy Director, Division of Budget and Finance, via electronic mail dated August 18, 2004.

#### **Accepted or Implemented**

- 1. Continue to stress to all caseworkers the importance of preparing and completing the Initial Case Plans timely and retaining documentation to comply with State requirements. (Repeated-1998)**

**Findings:** Child Welfare and Foster Care and Intact Family case files lacked required documentation. When reviewing Child Welfare case files, the auditors noted the following required documentation was not maintained in a sample of 55 files:

- Eight initial case plans were not maintained in the file and 14 initial case plans were not prepared within 45 days.
- Seven permanency hearings were not maintained in the file and 15 permanency hearings were not held timely;
- Four administrative case reviews were not prepared timely;
- Eleven Temporary Custody or Protective Custody Orders were not maintained in the case file;
- Nine disposition hearing orders were not maintained in the case file; and
- Three medical and dental consent forms were not maintained in the case file.

**Response:** Accepted. DCFS continues to stress the importance of adequate and timely documentation for child and family case files. Many of the cases selected in the sample have been open for more than three years. For these cases, we cannot correct past failures; however, we can ensure current requirements are met.

#### **Accepted - continued**

Additionally, the Department has been developing Best Practices for Child Welfare and using the new practices in designing and implementing the Statewide Automated Child

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Welfare Information System (SACWIS). It is our intention to automate much of the required documentation included in a child/family case file.

- 2. Determine reports of child abuse or neglect within 60 days as required by statute. Determine cause of determination not made within the mandated timeframe, and if there is good cause for extending the time limit, this should be documented. (Repeated-1998)**

**Findings:** Reports of child abuse and neglect were not determined within 60 days and proper extensions for good cause are not being obtained.

Department statistics track reports that are not determined as “unfounded” or “indicated” within the 60-day required time limit. In instances where there is good cause, 30-day extensions are permitted. In FY03, 952 of 58,956 total reports (1.61%) were not in compliance.

Past reports not in compliance ranged from 3.23% (2,125 of 65,877) in 1998 to a low of .30% (187 of 61,787) in FY2000. Failure to make a determination could result in further endangerment of the child. According to Department personnel, inability to locate individuals critical to the investigations and an inability to recruit and retain sufficient personnel have prevented them from being able to complete some reports within the time requirements. In some cases, caseworkers failed to request an extension which would have prevented the missed deadline.

**Response:** Accepted. The Department will continue in its efforts to achieve 100% compliance. As the new SACWIS system is implemented statewide, adjustments are made to work procedures in the use of the system, and as additional training on procedures and use of the tools provided by automation take place, it is expected compliance will improve.

The management of the Division of Child Protection meets regularly to discuss investigations that were not completed with 60 days and where no extension was asked for or granted. The responsible manager must explain the failure to meet statute and, if warranted disciplinary action is initiated against the investigator and their supervisor.

- 3. Initiate investigations of all child abuse and neglect reports within 24 hours of receiving the report as mandated by law. (Repeated-1998)**

**Findings:** The Department did not initiate an investigation of every child abuse and neglect case within 24 hours of receipt of the report as required by statute. The Department initiates an investigation for better than 99% of these cases within 24 hours. Noncompliance was .87% (517 of 59,241 reports) in FY02, compared with 0.37% (220 of 59,397) in FY03. Noncompliance occurs for the following reasons:

- Staff recording the wrong initiation date (A.M. instead of P.M.);

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- Law enforcement requests due to criminal investigations; and
- Information does not get to the central office in time due to a delay from the field office.

**Response:** The Department continues to strive to initiate investigations of all child abuse and neglect reports within 24 hours of receiving reports and achieve 100% compliance. Weekly reports of missed dates are prepared and analyzed by Quality Assurance/Monitoring personnel and by Child Protection managers. Child Protection management meets regularly to identify the cause for any investigation not meeting the 24-hour investigation initiation. If warranted, disciplinary action is initiated against the investigator and their supervisor.

4. **Review existing policies and apply procedures on a consistent basis at all regional offices. Procedures should include: denial of requests for questionable purchases; submission of adequate supporting documentation for the purchase; certification, when required, by the authorized purchaser that the goods or services were obtained; and that purchases not be made until proper authorization has been obtained, where possible. (Repeated-2000)**

**Findings:** The Department did not have adequate oversight for expenditures made for children's personal and physical maintenance. This has resulted in problems ranging from a lack of adequate supporting documentation for certain expenditures to questionable expenditures due to case status and service code discrepancies.

The Administrative Code details rules which identify the various types of services for which the Department may provide payment on behalf of children and families served by the Department. The Department has developed corresponding procedures for payments made for these services.

During FY03, the Department expended \$2.8 million (on over 10,100 vouchers) for personal and physical maintenance for children. The majority of the initial and replacement clothing for children are paid from this appropriation. Expenditures include camp, educational fees, cultural enrichment, travel, graduation expenses, and tutoring. These payments are in addition to regular monthly payments to caregivers for the child's room, board, clothing and allowance.

Payments for children's personal and physical maintenance expenditures are processed on two different forms—one for clothing purchases and another for other goods and

**Accepted - continued**

services. Requests are initiated by the caregiver through the caseworker. The caseworker completes the authorization and predetermines any applicable dollar limits. The regional office approves the purchase authorization. After the purchase, both the authorized purchaser and the seller must sign the authorization certifying the goods or services were provided to the child. The regional office then approves the completed authorization and it is sent to the Department's financial management office in Springfield for processing and payment. If the purchase is an exception to policy, the caseworker must complete an exceptional payment request.

Auditors selected 40 vouchers totaling \$6,483 and 21 vouchers resulted in questioned expenditures of \$4,031. Some of the exceptions are summarized below:

- Sixteen vouchers totaling \$3,615 did not have the purchaser's signature or did not match the authorized signer's signature on the receipt. These purchases consisted of items such as bed frames, medical expenses, clothing, etc.
- \$683 in purchases on four vouchers were from purchasers other than the foster parent of the child.
- For one voucher totaling \$300, the birth date on the voucher did not match the birth date of the child on the Department's system.
- \$441 in purchases on two vouchers did not state sizes/descriptions of items purchased.
- One voucher totaling \$286 contained charges for sales tax.
- Three vouchers totaling \$48 did not have receipts attached.

**Updated Response:** Accepted. The Department is continuing with an ongoing review of internal policies, analyzing various uses of the expenditure process by offices and regions, and reviewing detailed procedures concerning these payments. Where possible we are trying to delay or deny payment. Policies and processing instructions are revised as necessary and staff trained as changes are made.

**5. Process and approve the contracts before the beginning of the contract period. Use a contractual clause to make the contracts effective subsequent to the Department's appropriation being signed into law. (Repeated-2002)**

**Findings:** DCFS did not have an adequate system in place to ensure that contracts are reviewed and signed timely. The auditors noted that 27 of 29 contracts, totaling \$56,732,450 were signed after the beginning of the contract period. All contracts must be approved prior to services being performed. If the approval is subsequent to the date the services are being performed, an affidavit must be completed and filed with the Comptroller's Office.

**Updated Response:** Implemented. As a part of a reorganization of the Procurement Office, we reviewed procedures and contract language in order to implement a process that allows compliance with the applicable rules. In addition, a new tracking mechanism

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has been implemented which has increased accountability over each contract and enhanced efficiencies in processing contract information in the Department's information systems.

### **6. Establish a tracking system and annually verify that adoption assistance agreements are still in force or have been renewed.**

**Findings:** The Department does not annually verify that adoption assistance agreements for children who are subject to agreements with another state are still in force or have been renewed. The Interstate Compact on Adoption Act provides that a child with special needs who resides in Illinois and who is the subject of an adoption assistance agreement with another state shall be eligible for medical assistance from this State upon the filing of agreed documentation with the Illinois Department of Public Aid. The Act requires DCFS to at least annually establish that the agreement is still in force or has been renewed.

**Updated Response:** Accepted. The Department agrees that the DCFS Interstate Compact office is not currently tracking each of the approximately 600 agreements. However, we believe the State is in compliance with the spirit of the Interstate Compact on Adoption Act (45 ILCS 17/5-35). While DCFS is not currently tracking the agreements, and never has, the Department of Human Services (DHS) has been performing this function for the last several years.

DHS, through its Division of Human Capital Development, is inquiring of adoptive parents, annually, if the adoption subsidy is still in place. DHS is also the agency that issues the medical card, administers payments, and performs the inquiry function by either contacting the Illinois caregiver directly or by contacting the sending state. It would be duplicative and costly to have DCFS develop the staff and mechanisms for handling this function. Therefore, the Department intends to seek a revision to the Interstate Compact on Adoption Act (45 ILCS 17/5-35) to allow DHS to perform this function.

DCFS is at the point of seeking in the IL Interstate Compact Act to identify DHS as the State agency responsible for the verification (which they are currently doing).

### **7. Regularly evaluate every employee's need for each telecommunication device. In addition, we recommend that the Department continue to exercise economic reasonableness in future purchases of such services to ensure that unnecessary expenses are not being paid.**

**Findings:** The Department lacked controls over documenting the need for telecommunication devices. When the auditors reviewed cell phones, pagers and calling cards within the telecommunications area, they noted that many Department employees



**Accepted - continued**

possess a combination of or multiple telecommunication devices. The Department paid for 1,004 cell phones, 1,540 pagers, and 1,086 calling cards. Department officials indicated that the numerous telecommunication devices result from the fact that many employees travel throughout the State and some areas are not served well by all telecommunication service providers. The Department spends an estimated \$49,000 monthly on telecommunication services.

**Updated Response:** Implemented. DCFS completed a detailed analysis of the data of who uses telecommunication devices and worked out new ways to better communicate when device assignment changes occur as well as establish procedures to review the device assignments. A number of transfers and cancellations have been made. We have revised the policy that requires managers and supervisors to evaluate their use in order to improve the cost effectiveness and efficiency of these devices.

**8. Strictly enforce policies regarding prior approval of overtime. (Repeated-2002)**

**Findings:** Department employees worked overtime without proper prior approval. During FY03, \$2,602,354 was paid to 2,047 employees for overtime.

The auditors selected a sample of 30 daily staff attendance reports where overtime was charged. For 12 employees, the overtime request forms were missing. One approval sheet was not approved by the employee's supervisor and one approval sheet was approved after the overtime was worked.

**Updated Response:** Implemented. The Department agrees that no employee should be compensated for overtime unless it was worked and authorized. The Department has reviewed the detailed procedures followed to prepare and maintain the completed forms and has revised the procedures and instructions for staff and supervisors as necessary.

**9. Implement more stringent security parameters on computer systems and ensure that administrative access privileges are granted only when necessary. Assign IDs to a specific individual to promote accountability and an audit trail of activities. Develop a security awareness program, implement information technology and physical security policies, and ensure physical security controls are enforced and monitored at each location. (Repeated-2002)**

**Findings:** The Department had not established adequate controls for securing its computer resources. The Department relies on computer systems to meet its mission of providing "services to children and families to protect and advocate on behalf of children and youth who are, or who are at risk of, being abused, neglected or removed from their families." The Department collected, maintained and stored a significant amount of confidential information.

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The Office of Information Systems provided computer services for the Entire Department; however, a vendor was contracted to implement, maintain, monitor and secure the Department's local area network.

During the auditors' review, the Department addressed several weaknesses identified in the prior audit, but did not address the following:

- The Department had not finalized or implemented a comprehensive information technology policy.
- The Department had inadequate security controls in computer systems including an excess number of IDs and passwords generically assigned and shared and an excessive number of users had security administration authority.

Additionally, the Department had not implemented a physical security policy. Physical security was not enforced or monitored at various locations.

**Response:** Accepted. The Department agrees that security controls and confidentiality are essential to ensure compliance with laws and rules that govern how the data maintained by Department computing resources is used. The Department established Administrative Procedure #16, on August 23, 2002, to address building access privileges for employees and visitors to all Department facilities and, we have developed a Computer Security Guide to address controls over access to those resources. The Guide is provided at training sessions and distributed to managers and supervisors.

While it is not considered economical to assign an individual to watch the entrances to the door to each of the Department's numerous locations, we believe the combination of electronic keypads and locks provide adequate control over building access. In addition, we will issue periodic reminders to all personnel about the need to be aware, at all times, about permitting others to enter the buildings.

The mainframe computers used by DCFS are located in CMS facilities and physical access to those facilities is not under DCFS control. To further control access to mainframe computers, we have taken steps, within the parameters provided by the CMS computer center, to assign all access IDs to specific individuals to permit tracking for accountability. The AS/400 systems, which are located in separately locked areas within certain DCFS facilities, have been targeted for conversion of other platforms and, upon AS/400 termination scheduling, any generic and excess administrative IDs will be eliminated.

Department network computers are located in all DCFS offices statewide and access to these offices is covered under the Department's written administrative policy identified above. Every office has implemented procedures whereby keypads or security personnel

**Accepted - continued**

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control access to facilities, employees are required to have ID badges, and visitors cannot gain access without proper authorization. In addition, services, switches, and other key computing equipment have been placed in specific areas within the facilities with more extensive and locked restrictions.

### **10. Evaluate the resource need for monitoring residential and group home service providers, create guidelines for timeliness of and types of monitoring, establish measurable criteria and get it into the contracts and enforce consequences for not meeting the terms of the contract.**

**Findings:** The Department has not performed effective monitoring of its residential and group home service providers. The Department contracts with approximately 100 institutions to provide residential, group home, emergency shelter services, and other services. The total paid to these providers during FY03 was in excess of \$235 million. Many of the institutions have multiple contracts covering the same annual period with each contract covering a separate service.

Some of the problems noted relating to these contracts include:

- Service provided before the contract was signed and approved;
- No on-site monitoring for several providers;
- No specific measurable criteria within the contracts; and
- Insufficient fiscal monitoring of contract payments.

As currently described in the service provider contracts, residential providers are to be monitored predominately through annual licensure reviews, the submission of annual independent certified audits and interagency financial reports, reviews of behavioral management plans, monthly reviews of treatment plans, and following up on incidents reported at the institutions. Although these are the activities that are supposed to take place, certain of them are either not being performed or are not sufficient to provide for effective monitoring.

Department officials indicated that the causes for the lack of regular on-site monitoring were limited resources to maintain the program, track information, report on monitoring activities and a lack of specific identifiable measurable criteria within the service provider contracts. The Department also indicated that services were provided prior to the approval of contracts due to ongoing placement at these particular facilities. There were instances where the Department requested detailed accounting records from service providers and the Department has not received them.

**Response:** Accepted. The Department agrees that there is a need for additional monitoring of residential and group home service providers. We are currently in the process of establishing a residential monitoring unit with a target implementation date of July 2004. The unit will be responsible for conducting consistent on-site monitoring of residential and group home facilities that provide treatment for our children. This unit will establish measurable criteria for performance and process outcomes that will lead to

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quality services and life domain outcomes for our children. The results of the monitoring function will become an integral part of the contract negotiations with each provider.

In the interim, we will continue to evaluate resource needs, identify guidelines and criteria for measuring performance and timely information reporting, and identify ways to enforce the guidelines not met.

- 11. Complete the decision-making process and refer findings, if appropriate, to the Attorney General to seek recovery for the State of the disallowed provider costs. Further, devote sufficient resources to the field audit function that allows for sufficient monitoring of provider organizations. Lastly, develop more rigorous self-reporting requirements for providers. (Repeated-2000)**

**Findings:** DCFS does not perform sufficient monitoring of its contractors providing services to children. While the Department has taken some actions, other areas still need to be addressed.

During a previous audit, the auditors selected three providers that had contracts with the Department and performed on-site audit procedures in the areas of expenditures, payroll/personnel and inventory. The results of this testing indicated that the Department's monitoring activities were not reasonably designed to detect instances of noncompliance with laws and regulations by purchase of service providers.

In the last audit, the auditors recommended and the Department agreed to:

- Continue its investigation into provider activities and, if necessary, refer its findings to the Attorney General;
- Make a determination of the appropriate staffing level for the field audits of provider organizations; and
- Develop more rigorous self-reporting requirements for providers.

The Department did perform audits of the three providers. Questioned expenditures for two of the providers were resolved in the last audit. However, for the third provider, the Department has yet to resolve identified expenditures of over \$373,000 in disallowed costs. Additional investigation by the Department of the provider was completed and the disallowed cost figure developed. A Department official indicated that while new legal counsel wants to pursue this action with the AG, the action was not taken during the audit period.

The Department did consider the resources allocated to provider oversight functions in the Office of Field Audits at the end of FY03. However, no action was taken during the audit period to increase the headcount to the proposed level. The Office of Field Audits

**Accepted - concluded**

conducts on-site fiscal audits of provider agencies. The Department reported that there were six field auditors assigned during the first half of FY03. Two staff retired. In addition to field audits, this staff is responsible for desk reviews of provider annual audit reports. Documentation submitted by the Department shows that during FY03, the Office of Field Audits worked on only five audits. Additionally, during the audit period, documentation shows that 158 desk reviews were processed. According to a Department official, the Office of Field Audits was unable to complete approximately 60 desk reviews.

In response to previous findings, the Department stated it would consider implementing additional requirements on provider reporting. However, the Department has not implemented additional requirements on provider reporting, nor were any documents provided during this audit illustrating any ideas for additional self-reporting requirements for providers.

**Response:** Accepted. Information identified in the investigation of the provider has been referred to the Office of the Attorney General. Additionally, we have evaluated staffing levels and, as resources permit, plan to add positions in the field audits unit to help us to do a better job with fiscal monitoring of contracts.

We are also, as discussed in our response to Finding #03-10, evaluating reporting criteria and requirements for these residential subrecipient service providers. Administrative rules that govern much of the work of the unit are also undergoing revision.

**Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption. During FY03, the Department filed eight affidavits for emergency purchases totaling

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\$1,505,112.75 for the following items:

- \$22,097.82 for mediation services;
- \$27,169.06 for equipment rental;
- \$42,688.00 for security services;
- \$65,007.87 for support services;
- \$112,093.00 for credentials monitoring; and
- \$1,236,057.00 for computer support services.

### **Headquarters Designations**

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Department of Children and Family Services indicated on July 15, 2003 that 33 employees were assigned to locations other than that at which their official duties require them to spend the largest part of their working day.